

## Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSCE-00 EB-04 STRE-00 STR-02  
OMB-01 L-01 TRSE-00 INR-05 CIAE-00 INRE-00 EA-06  
IO-06 SSO-00 /048 W  
-----070893 281848Z /46

O 281742Z JUN 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 7548

INFO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 BRUSSELS 12714

LIMDIS

USEEC

GENEVA FOR MTN, PASS STR ELECTRONICALLY

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: MTN: COMMUNITY MANDATE

REF: BRUSSELS 12679

1. MISSION HAS OBTAINED ON CONFIDENTIAL BASIS TEXT OF MAN-  
DATE ADOPTED BY EC COUNCIL ON JUNE 27 FOR FINAL PHASE OF  
MTN NEGOTIATION. POSSESSION OF THIS DOCUMENT BY U.S.  
GOVERNMENT OFFICIALS SHOULD BE CLOSELY HELD.

2. TEXT FOLLOWS: BEGIN TEXT:

MULTILATERAL TRADE NEGOTIATIONS.

CONCLUSIONS OF THE COUNCIL (27 JUNE 1978).

1. THE COUNCIL TAKES NOTE OF THE COMMISSION COMMUNICATION  
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(BRUSSELS 12509) AND, SUBJECT TO THE PARTICULAR POINTS SET  
OUT BELOW, APPROVES THE BROAD APPROACH RECOMMENDED.

2. THE COUNCIL CONFIRMS THE COMMUNITY'S DETERMINATION TO  
AIM AT ACHIEVING A SUCCESSFUL OUTLINE PACKAGE IN THE  
NEGOTIATIONS INCLUDING THE HIGHEST POSSIBLE DEGREE OF  
INTERNATIONAL COOPERATION AND TRADE LIBERALISATION.

3. SUCH A PACKAGE SHOULD INCLUDE:

- AN AGREEMENT TO REDUCE INDUSTRIAL TARIFFS AIMED AT ACHIEVING A DEGREE OF HARMONISATION OF THE TARIFF PROFILES OF MAJOR DEVELOPED CONTRACTING PARTIES INCLUDING AN ELEMENT OF SPECIAL AND DIFFERENTIAL TREATMENT FOR THE DEVELOPING CONTRACTING PARTIES, COUPLED WITH CONTRIBUTIONS FROM THE DEVELOPING COUNTRIES COMMENSURATE WITH THEIR TRADE, FINANCE AND DEVELOPMENT NEEDS;

- AN IMPROVED SAFEGUARD MECHANISM WHICH SERVES THE CAUSE OF GREATER TRADE LIBERALISATION THROUGH REASONABLE INTERNATIONAL SURVEILLANCE AND WHICH PROVIDES FOR THE POSSIBILITY OF DEALING SELECTIVELY (AND RAPIDLY - RESERVATION BY THE GERMAN DELEGATION) IN SPECIFIC CASES OF MARKET DISRUPTIONS CAUSED BY ONE OR A FEW IDENTIFIABLE SOURCES OF SUPPLY;

- AN AGREEMENT ON COUNTERVAILING DUTIES/SUBSIDIES WHEREBY THE INJURY CRITERION (ARTICLE VI OF THE GATT) WOULD BE ACCEPTED BY ALL CONTRACTING PARTIES, ALONG WITH IMPROVED PROCEDURES FOR DEALING WITH THE TRADE EFFECTS OF SUBSIDIES;

- A GENERALLY ACCEPTED CUSTOMS VALUATION CODE;  
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- A BALANCED INTERNATIONAL CODE ON GOVERNMENT PURCHASING PROCEDURES;

- A BALANCED AND WORKABLE CODE ON STANDARDS AND TECHNICAL REGULATIONS, WITH AN EQUAL DEGREE OF OBLIGATIONS AMONG ALL SIGNATORIES;

- WITHIN THE CONTEXT OF A BALANCED AGRICULTURAL PACKAGE ACCEPTABLE TO ALL, VIABLE INTERNATIONAL AGREEMENTS ON WHEAT, COARSE GRAINS, DAIRY PRODUCTS AND MEAT, DESIGNED TO IMPROVE MARKET STABILIZATION AND EXPANSION.

4. AS REGARDS IN PARTICULAR THE SAFEGUARD MECHANISM OF ARTICLE XIX, THE COUNCIL EMPHASIZED THAT ANY IMPROVEMENT OF THE EXISTING PROCEDURES SHOULD SERVE THE CAUSE OF GREATER TRADE LIBERALIZATION.

THE COUNCIL THEREFORE IS OF THE OPINION THAT:

- EMERGENCY ACTION COULD BE TAKEN EITHER ON AN MFN BASIS,

- OR, IN PARTICULAR CIRCUMSTANCES, WHERE SPECIFIC SOURCES OF

IMPORTS CAUSING THE MARKET DISRUPTION ARE CLEARLY IDENTIFIABLE, ON A SELECTIVE BASIS,

- SUCH ACTION SHOULD AS FAR IN ADVANCE AS PRACTICABLE BE SUBJECT TO PRIOR NOTIFICATION AND CONSULTATION EXCEPT IN CRITICAL CIRCUMSTANCES WHERE SUCH ACTION MAY BE TAKEN ON A PROVISIONAL BASIS WITHOUT PRIOR CONSULTATION, ON THE CONDITION THAT CONSULTATION SHALL BE EFFECTED IMMEDIATELY AFTER TAKING SUCH ACTION IN THE COMMITTEE OF SIGNATORIES. THIS ACTION SHOULD BE SUBJECT FORTHWITH TO THOROUGH EXAMINATION AND CONSULTATION IN THE COMMITTEE OF SIGNATORIES WHOSE RECOMMENDATIONS WOULD BE ADVISORY IN CHARACTER AND SECONDLY THAT THE POSSIBILITIES OF RETALIATION IN THESE CIRCUMSTANCES SET OUT IN ARTICLE XIX SHOULD REMAIN CONFIDENTIAL

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FULLY AVAILABLE TO THE CONTRACTING PARTY OR PARTIES AFFECTED BY THIS ACTION.

5. THE COUNCIL DISCUSSED A NUMBER OF ISSUES THAT ARISE IN THE NEGOTIATIONS ON A CODE ON COUNTERVAILING DUTIES (ARTICLE VI) AND SUBSIDIES ON OTHER THAN PRIMARY PRODUCTS.

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IO-06 SSO-00 /048 W  
-----071161 281848Z /46

O 281742Z JUN 78  
FM AMEMBASSY BRUSSELS  
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INFO USMISSION GENEVA IMMEDIATE

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IT CONFIRMED ITS OPPOSITION TO ALLOWING UNILATERAL ACTION FOR A SIGNATORY IN THE CASE OF CONSULTATIONS UNDER PROCEDURES BASED ON ARTICLE XVI AND ARTICLE XXIII WHERE THERE IS CLAIM OF 'SERIOUS PREJUDICE' CAUSED BY A SUBSIDY. THE COUNCIL IS OF THE VIEW THAT ARTICLE XXIII:2 WHICH PROVIDES FOR REFERENCE TO THE CONTRACTING PARTIES, IF THERE IS UNREASONABLE DELAY, COVERS THE PROBLEM ADEQUATELY. THE COUNCIL CONSIDERED THAT A PROPOSAL TO ESTABLISH A STANDING DISPUTE SETTLEMENT PANEL WHICH WOULD BE OBLIGED TO MAKE A RULING WITHIN A FIXED TIMETABLE SHOULD BE REJECTED FOR IT WOULD TEND TO ENCOURAGE PRECIPITATE AND UNILATERAL ACTION.

THE COUNCIL EXPRESSED SUBSTANTIAL DOUBTS AS TO THE PRACTICABILITY AND DESIRABILITY OF AN ILLUSTRATIVE LIST OF INTERNAL SUBSIDIES DESIGNED TO PROVIDE GUIDELINES WITH RESPECT TO THE USE OF SUCH SUBSIDIES AND INVITED THE COMMISSION TO CONSIDER THIS FURTHER IN THE LIGHT OF THE NEGOTIATING SITUATION AND IN CONSULTATION WITH THE 113 COMMITTEE.

6. SO FAR AS THE CUSTOMS VALUATION CODE IS CONCERNED, THE  
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COUNCIL HAS STRONG RESERVATIONS ABOUT THE INCLUSION OF A 'COMPUTED VALUE' METHOD OF VALUATION (VALUE BASED UPON THE COST OF PRODUCTION). IT CONSIDERS THAT SUCH A METHOD OF VALUATION SHOULD ONLY BE USED IN A VERY LIMITED NUMBER OF CASES WHERE NO MORE SATISFACTORY METHOD IS AVAILABLE AND ONLY WITH THE FULL AGREEMENT OF THE IMPORTER AND THE PRODUCER OF THE GOODS. IT FURTHER CONSIDERS THAT THE APPLICATION OF THE METHOD SHOULD BE REVIEWED BY THE SIGNATORIES AS SOON AS REASONABLY PRACTICABLE AFTER THE IMPLEMENTATION OF THE CODE.

7. AS REGARDS THE TARIFF NEGOTIATIONS ON INDUSTRIAL PRODUCTS, THE COUNCIL EMPHASIZED THE NEED TO ACHIEVE AN ADEQUATE BALANCE OF RECIPROCITY AS BETWEEN THE MAIN PARTNERS BY IMPROVEMENTS OF OFFERS ELSEWHERE OR BY THE USE OF THE CONDITIONAL LIST. IN THIS CONTEXT THE COUNCIL NOTED WITH PARTICULAR CONCERN THE LEVEL OF OFFERS FROM JAPAN AND INVITED THE COMMISSION TO MAKE EVERY EFFORT TO ACHIEVE A SATISFACTORY EQUILIBRIUM IN REAL TERMS. THE COUNCIL FURTHER AUTHORIZED THE COMMISSION TO PUT FORWARD IN CONSULTATIONS WITH THE ARTICLE 113 COMMITTEE CERTAIN GREATER THAN FORMULA TARIFF CUTS WHERE THEY MAY LEAD TO A MORE ADVANTAGEOUS TARIFF BARGAIN.

ONE DELEGATION (MISSION COMMENT: FRANCE) EXPRESSED CONCERN ABOUT THE CONVERSION OF CUSTOMS DUTIES BY THE USA IN RETURN FOR THE ELIMINATION OF ASP.

8. THE COUNCIL CONFIRMS THE COMMUNITY'S DETERMINATION TO CONTRIBUTE FULLY TO THE FORMULATION OF DIFFERENTIAL AND MORE FAVOURABLE TREATMENT FOR DEVELOPING COUNTRIES, IN PARTICULAR THE LEAST DEVELOPED AMONG THEM, IN ALL AREAS OF THE NEGOTIATION WHERE THIS IS FEASIBLE AND APPROPRIATE.  
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CONSCIOUS OF ITS OBLIGATIONS TOWARDS THE DEVELOPING COUNTRIES AND IN PARTICULAR OF THOSE LINKED TO THE COMMUNITY BY SPECIAL AGREEMENTS (ACP, MEDITERRANEAN) THE COUNCIL APPROVES THE LISTS OF ADJUSTED OFFERS ANNEXED TO DOCUMENT I/180/78 (COS 25) ACCORDING DIFFERENTIAL AND MORE FAVOURABLE TREATMENT IN THE INDUSTRIAL TARIFF FIELD WHICH TAKE ACCOUNT OF THE INTERESTS OF THESE COUNTRIES. THIS ADJUSTED OFFER WILL FORM PART OF THE COMMUNITY'S CONTRIBUTION TO THE OUT-LINE PACKAGE WHICH THE COMMUNITY IS AIMING TO ACHIEVE.

9. MOREOVER THE COUNCIL DECLARES ITS INTENTION TO FURTHER IMPROVE THE GSP OF THE COMMUNITY IN 1979 WHICH ALTHOUGH AUTONOMOUS WILL REPRESENT AN IMPORTANT CONTRIBUTION TO THE GLOBAL RESULTS OF THE MTN.

IN ADDITION THE COUNCIL DECLARES ITS INTENTION TO PURSUE THE DEFINITION OF ELEMENTS IN THE GSP FOR THE SECOND PERIOD OF ITS APPLICATION WHICH WOULD PROVIDE A MORE FAVORABLE REGIME FOR THE LEAST DEVELOPED AMONG DEVELOPING COUNTRIES AS DEFINED AT PRESENT BY THE UNITED NATIONS AND WHICH COULD GO, WHERE FEASIBLE, AS FAR AS TARIFF EXEMPTION FOR PRODUCTS COVERED BY THE SCHEME WITHOUT QUANTITATIVE LIMITATIONS (RESERVATION BY THE ITALIAN DELEGATION).

10. THE COUNCIL EXPRESSES ITS CONFIDENCE THAT THE INTERNATIONAL TRADING SYSTEM OF THE GATT WILL BE STRENGTHENED BY SUCH RESULTS.

11. THE COUNCIL CHARGES THE COMMISSION TO PURSUE IN CLOSE AND CONTINUOUS CONSULTATION WITH THE ARTICLE 113 COMMITTEE THE TASK OF FINDING PRECISE AND MUTUALLY ACCEPTABLE SOLUTIONS IN THE DIFFERENT AREAS. END TEXT.

3. FOLLOWING SENTENCE HAD APPEARED AT END OF PARA 4 OF DOCUMENT BUT WAS DROPPED AT ITALIAN INSISTENCE, WITH BELGIAN  
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SUPPORT: "FINALLY, THE COUNCIL CONSIDERS THAT IN THE EVENT OF SATISFACTORY AGREEMENT ON AN IMPROVED SAFEGUARD MECHANISM (EXISTING QUANTITATIVE RESTRICTIONS IN MEMBER STATES APPLIED SELECTIVELY TO JAPAN AND THE ELIMINATION OF WHICH HAS BEEN REQUESTED BY JAPAN SHOULD BE PROGRESSIVELY LIBERALIZED AND

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OMB-01 L-01 TRSE-00 INR-05 CIAE-00 INRE-00 EA-06  
IO-06 SSO-00 /048 W  
-----071141 281849Z /46

O 281742Z JUN 78  
FM AMEMBASSY BRUSSELS  
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INFO USMISSION GENEVA IMMEDIATE

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PHASED OUT - RESERVATIONS BY THE BENELUX AND ITALIAN DELEGATIONS), TAKING INTO ACCOUNT THE ECONOMIC AND BALANCE OF PAYMENT SITUATION, AND EXISTING BILATERAL SAFEGUARD CLAUSES SUBSUMED IN THE GENERAL ARRANGEMENT." THIS IDEA WAS INSTEAD INSERTED IN COUNCIL MINUTES, NOTING THAT EC WOULD WORK TO PHASE OUT JAPANESE QR'S IF REST OF JAPANESE MTN OFFER IS CONSIDERED SUFFICIENT. HINTON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE AGREEMENTS, NEGOTIATIONS, RESOLUTIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 jun 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014